

E-002/M-93-80 ORDER APPROVING EXPERIMENTAL TIME-OF-DAY TARIFF ON
INTERIM BASIS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner

In the Matter of a Petition by
Northern States Power Company
for Approval of an Experimental
Three Period Peak-Controlled
Time-of-Day Tariff

ISSUE DATE: May 25, 1993

DOCKET NO. E-002/M-93-80

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TIME-OF-DAY TARIFF ON INTERIM
BASIS

PROCEDURAL HISTORY

On November 27, 1991, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in Northern States Power Company's (NSP's or the Company's) most recent rate case, Docket No. E-002/GR-91-1. In that Order, the Commission ordered the Company to consult with customers and develop and file a three-period time-of-day rate by June 1, 1992 or in the Company's next general rate case whichever came first. The Commission required that the rate, at a minimum, be applicable to the Municipal Pumping class. On June 1, 1992, in response to the Commission's Order, the Company filed a proposed Experimental General Service Three-Period Time-of-Day (TOD) tariff.

On October 20, 1992, the Commission issued its ORDER APPROVING TARIFF WITH MODIFICATIONS in Docket No. E-002/GR-92-457. The Commission modified the Company's proposal by requiring the experiment to last two years, after which the Commission would conduct a study and the Commission would determine whether the rate should be offered on a permanent basis. The Commission also restricted the participants in the experiment to 30 and required 18-20 of the 30 to be from the Municipal Pumping Class.

On February 1, 1993, the Company filed a petition for approval of an Experimental Peak-Controlled Three-Period Time-of-Day tariff. The matter was assigned to the current docket, E-002/M-93-80.

On April 19, 1993, the Minnesota Department of Public Service (the Department) filed its Report of Investigation and Recommendation regarding the Company's petition.

On May 13, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

NSP's Proposed Time-of-Day (TOD) Tariff

NSP proposed an experimental three-period TOD tariff for interruptible customers. Availability of the TOD tariff rate would be limited so that the total number of customers served under the proposed rate and the previously approved Experimental General Service Three-Period TOD tariff would be no greater than 30. The Company designed the energy and demand charges under the tariff to maintain consistency with already existing tariffs. The Company proposed that TOD charges under the proposed tariff be adjusted after the Commission issues its final Order in the Company's current general rate case (E-002/GR-92-1185) to maintain consistency with the newly approved tariffs.

The Department's Comments

The Department recommended two modifications. First, the Department recommended that the tariff be approved on an interim basis only until a final determination is made in the general rate case. The Department recommended that the Commission direct the Company to submit a compliance filing after the general rate case Order adjusting the interim rates approved here (the Experimental Peak-Controlled Three-Period TOD energy and demand charges) to be consistent with the Experimental General Service Three-Period TOD and Peak-Controlled tariffs approved in the general rate case. Second, the Department recommended that the Commission set demand and energy charges for all TOD tariffs based on marginal cost.

Commission Action

A prominent issue in NSP's current rate case is what principles should be used to determine the on-peak, mid-peak, and off-peak energy and demand charges for TOD tariffs. Adequate information to make final decisions on those questions is not available at this time. Accordingly, both the Company's request for a permanent TOD tariff and the Department's request that the Commission determine that demand and energy charges for all TOD tariffs should be based on marginal cost are premature. However, important goals sought through offering the proposed rate during the summer months (rate relief, conservation, and information on the effectiveness of the rate) would be lost if a TOD tariff were not implemented until a final decision in the general rate case which is not anticipated until September 1993. In these circumstances, the Commission will approve the Company's proposed tariff on an interim basis pending its final decision in the Company's general rate case. Upon the final decision of the Commission in the general rate case, the Company will be required to submit a compliance filing indicating any resulting adjustments to this tariff.

To assist the Commission in evaluating the over-all effectiveness of TOD rates, the Company will be required to file a report regarding its TOD rates two years from the Commission's FINDINGS OF FACT Order in the current general rate case. With the interim approval provided in this Order, the report will have three years of TOD rate experience to reflect upon. To coordinate information gathering and reporting on those two TOD rates now approved (the experimental **peak-controlled** three-period TOD tariff approved in this Order and the experimental **general service** three-period TOD tariff approved in the Commission's October 20, 1992 ORDER APPROVING TARIFF WITH MODIFICATIONS in Docket No. E-002/GR-92-457) the effective date of the rate already approved is changed to coincide with the rate approved in this Order.

Finally, to avoid any customer confusion, the Company will be required to inform all customers who may be interested in opting for service under the interim tariff of the potential for significant changes in the structure of the rate as a result of September's general rate case Order.

ORDER

1. The experimental peak-controlled three-period time-of-day tariff proposed by Northern States Power Company (NSP or the Company) is approved on an interim basis.
2. The effective date for both the tariff approved in Ordering Paragraph 1 and the experimental **general service** three-period time-of-day (TOD) tariff approved in the Commission's October 20, 1992 ORDER APPROVING TARIFF WITH MODIFICATIONS in Docket No. E-002/GR-92-457 is the date of this Order.
3. As part of its compliance filing following the Commission's final Order in NSP's general rate case, Docket No. E-002/GR-92-1185, NSP shall submit revised TOD tariffs reflecting any adjustments to this tariff required by that Order.
4. On or before November 1, 1995, NSP shall file a report regarding the effectiveness of its two TOD tariffs:
 - 1) the experimental **general service** three-period TOD tariff, and
 - 2) the experimental **peak-controlled** three-period TOD tariff approved in this Order.

In this report, NSP shall address, at a minimum, customer acceptance, the effect of the seasonal rate differential, the impacts of the tariffs on participants' load characteristics, and information sufficient to determine if the tariffs lower NSP's costs.

5. NSP shall inform customers interested in service under the interim tariff approved in this Order of the potential for rates under that tariff to change substantially in response to the general rate case Order to be issued in September 1993.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)